

**COUNTY UNIFORM CHART OF ACCOUNTS
EFFECT OF GASB STATEMENTS 33 AND 36
ON ACCOUNTING AND FINANCIAL REPORTING**

Account No. 40110, Current Property Tax (Imposed Nonexchange Revenue)

Paragraph 17 of Statement 33 states that property taxes receivable should be recognized as of the date when an enforceable legal claim to the taxable property arises. This is January 1 in Tennessee and is referred to as the "lien date." As a practical matter, the receivable should be recognized as of year-end, June 30. The receivable should be recognized for the entire tax levy of the ensuing fiscal year. If the tax rate has not been set as of the date of issuing the financial statements, then an estimate should be used.

Revenues from property taxes, net of estimated refunds and estimated uncollectible amounts, should be recognized in the period for which the taxes are levied, even though the receivable is recognized in the prior period when the enforceable legal claim arises. Property taxes recognized as receivable before the period of revenue recognition should be reported as deferred revenues.

Example

County auditors are assisting a county in preparing its financial statements for the year ended June 30, 2001. The financial statements are being prepared in October 2001 and the county commission has adopted a tax rate. If the statements were being prepared in July 2001 and a tax rate had not adopted, then the amount would have to be estimated, if practical. If not practical, a disclosure should be made to that effect. The accounting entry would be:

<u>Debit</u>	<u>Credit</u>
Taxes Receivable	Allowance for Uncollectible Taxes
	Deferred Revenues – Taxes

During the period July 1, 2001 to June 30, 2002, revenues from property taxes should be recognized as collected as a practical matter. Since the above entry was probably not recorded on the trial balance, then the entry as of June 30, 2002 would be:

<u>Debit</u>	<u>Credit</u>
Taxes Receivable	Allowance for Uncollectible Taxes
	Deferred Revenues – Taxes

This is the same as County Audit has been doing at year-end. County Audit has considered the uncollectible amount to be taxes that are filed in court by the delinquent

tax attorney. The major change is that a receivable for the tax levy of the next year would also be recognized as of June 30 but would have no effect on fund balance since the receivable is also reported as deferred revenue.

There is another possible change that needs to be considered. County Audit has not been accruing any revenue from Taxes Receivable at June 30 on the basis of materiality. This may be harder to justify with the issuance of Statements 33, 34 and 36. If revenues from property taxes are not accrued on June 30 because they are deemed to be immaterial, then a calculation should be included in the working papers to support that conclusion. If revenue from taxes receivable is recognized as of June 30, the amount should be that collected in either 30 or 60 days, depending on the period the county has adopted to define availability under the modified accrual basis of accounting. The accounting entry would be:

<u>Debit</u>	<u>Credit</u>
Taxes Receivable	Allowance for Uncollectible Taxes
	Current Property Tax
	Deferred Revenues – Taxes

A new account should be added to the chart of accounts for deferred revenues other than taxes or one account should be used for all deferred revenues.

There will be another change if a proprietary fund, such as the solid waste disposal fund, is receiving property taxes. This change is in addition to recording a receivable for the next year as of June 30. Proprietary funds are not held to a 30 or 60 day availability period for taxes. Therefore taxes receivable for the current year less the uncollectible amount would all be recorded as revenue.

Account No. 40115, Discount on Property Taxes

This is a contra account and should be netted against the Current Property Tax revenue account for financial statement presentation.

Account No. 40120, Trustee's Collections – Prior Year (Imposed Nonexchange Revenue)

The balance recorded in this revenue account should be the amount collected in cash by the trustee, less the amount if any, that was accrued as Current Property Tax in the prior fiscal year.

Account No. 40130, Circuit Clerk/Clerk & Master Collections –Prior Years (Imposed Nonexchange Revenue)

This account is used to record collections of delinquent taxes filed in court. Delinquent taxes filed in court are not included in taxes receivable since they are not measurable

(reasonably estimable). After filing in court, revenues should be recorded when received in cash and not accrued as a receivable since they are not measurable.

Account No. 40140, Interest and Penalty (Imposed Nonexchange Revenue)

If any property taxes receivable are recognized as revenue rather than deferred revenue, then a corresponding amount for interest and penalty should also be recognized as a receivable and revenue.

Account No. 40510, Pickup Taxes (Imposed Nonexchange Revenue)

If there are any uncollected amounts at June 30 to which the county has an enforceable legal claim, a receivable should be recognized. Revenue recognition for governmental funds would follow the modified accrual basis. Any amounts recognized as receivable before the corresponding revenue is recognized should be reported as deferred revenue. Proprietary funds should recognize revenue at the same time the receivable is recognized.

Account No. 40161, Payments in Lieu of Taxes – T.V.A. (Voluntary Nonexchange Transaction)

T.V.A. pays this directly to local governments. It is a replacement for property taxes. Since the county does not impose or assess the amount, the program is not a mandate on the county, and T.V.A. is a governmental entity, it is a voluntary nonexchange transaction. Therefore assets (receivables) and revenues should be recognized when all eligibility requirements, including time requirements, have been met. Receivables recognized in governmental funds before the resources are available should be reported as deferred revenues.

Since no time requirement is specified, the entire amount due should be recognized in the time period when all applicable eligibility requirements are met. The applicable period is T.V.A.'s fiscal year and begins on the first day of that year. For practical purposes, the county will not recognize any receivables until year-end.

For the county's year from July 1, 2000 to June 30, 2001, the county should recognize the amount that T.V.A. appropriated for its fiscal year of October 1, 2000 to September 30, 2001. Depending upon when the audit is being done, estimates may have to be used. Whatever the county has not received as of June 30 out of the amount T.V.A. appropriated for its fiscal year is the amount that should be recognized as receivable. Normally this would be three months but could be four based on when the county receives T.V.A.'s June payment. The portion of the receivable that is not received during the county's availability period should be reported as deferred revenue. Proprietary funds should recognize the entire amount of the receivable as revenue.

Account No. 40162, Payments in Lieu of Taxes – Local Utilities (Voluntary Nonexchange Transaction)

Assets from voluntary nonexchange transactions should be recognized in the period when all eligibility requirements, including time requirements are met. Statutes provide for this to be paid each fiscal year by utilities out of their revenues. The amount is to represent the utility's fair share of the cost of government but cannot be directly tied to any benefits received. The accounting treatment is the same as discussed under Account No. 40161 above. The amount to be recognized would be based on the utility's fiscal year. The county should recognize a receivable as of June 30 any amounts that it had not received based on the utility's fiscal year. Revenue recognition for governmental funds would follow the modified accrual basis. Any amounts recognized as receivable before the corresponding revenue is available should be reported as deferred revenue. Proprietary funds should recognize revenue at the same time the receivable is recognized.

Account No. 40163, Payments in Lieu of Taxes – Other (Voluntary Nonexchange Transaction)

This should be treated the same as Account No. 40162.

Account No. 40210, Local Option Sales Tax (Derived Tax Revenue Transaction)

Assets from derived tax revenue transactions should be recognized in the period when the exchange transaction on which the tax is imposed occurs. The state collects this tax from the merchants and distributes it to the county. Because of the manner in which the state collects and distributes the tax, counties are owed two months of collections as of June 30, which will be distributed in July and August. A receivable should be recognized as of June 30 for both the July and August distributions. Revenue should be recognized in governmental funds for one or both months depending upon whether the county is following a 30 or 60 day period of availability under the modified accrual basis of accounting. If the county is following a 30-day period, then the August distribution should be recorded as deferred revenue. Proprietary funds should record both months as revenue.

Account No. 40220, Hotel/Motel Tax (Derived Tax Revenue)

Assets should be recognized in the period when the exchange transaction on which the tax is imposed takes place. The hotel/motel tax is established by private act and collection procedures vary from county to county. Anything that is in the hands of the merchants as of June 30 should be recognized as a receivable. Revenue recognition in governmental funds is subject to the modified accrual basis of accounting. Resources recognized as receivable in governmental funds before the period of availability should be reported as deferred revenues. Proprietary funds should recognize revenue in the same period that the assets (receivables) are recognized.

Account No. 40230, Local Amusement Tax (Derived Tax Revenue)

It appears that the Department of Revenue is reporting this with Account No. 40210, the local option sales tax and therefore county audit is not reporting it separately either. It should follow the same accounting treatment as the local option sales tax whether or not it is reported separately.

Account No. 40240, Wheel Tax (Imposed Nonexchange Revenue)

Counties may levy a privilege tax on motor vehicles, commonly called a “wheel tax.” Assets (receivables) should be recognized in the period when an enforceable legal claim to the assets arises. In the case of the wheel tax, this would be when a vehicle is registered or tags renewed which is the same time that the county clerk collects the tax. Whatever is in the hands of the clerk as of June 30 is already recognized as an asset, which properly accounts for the wheel tax.

Accounts No. 40250 to 40266, Litigation Taxes (Imposed Nonexchange Revenues)

Assets (receivables) should be recognized in the period when an enforceable legal claim to the assets arises. This would be when a judgment is rendered for litigation taxes. All unpaid litigation taxes less an estimated uncollectible amount should be recognized as assets, revenues, and/or deferred revenues as of June 30. However, these unpaid taxes are not measurable (reasonably estimable). Paragraph 11 of Statement 33 provides that transactions that are not recognizable because they are not measurable should be disclosed. Such a disclosure has been added to the notes for Typical County, the pro forma CAFR used by the Division of County Audit.

Account No. 40270, Business Tax (Derived Tax Revenue)

This is a derived tax imposed on gross receipts of various businesses. Assets (receivables) should be recognized in the period when the sales on which the tax is imposed occurs. Revenues should be recognized in the same period that the assets are recognized subject to being available in governmental funds.

However, there are four categories of businesses on which the tax is levied. Each category pays on a different percentage of its gross receipts, files at a different time of year, and files for a different time period. Counties should recognize assets, revenues and/or deferred revenues, net of estimated refunds, as gross receipts are collected by the taxpayers. However, these transactions are not measurable (reasonably estimable). Paragraph 11 of Statement 33 provides that transactions that are not recognizable because they are not measurable should be disclosed. Such a disclosure has been added to the notes for Typical County, the pro forma CAFR.

Account No. 40280, Mineral Severance Tax (Derived Tax Revenue)

This is a local option tax collected by the state for the county. The operator pays the tax to the state monthly for the previous month. Because of the manner in which the state distributes the tax (July, October, January, and April) counties are owed three months of collections as of June 30. The July payment to the county from the state includes the collections for April, May; and June and should be recognized as a receivable and as revenue. This tax goes to the county road fund.

Account No. 40285, Adequate Facilities Tax (Imposed Nonexchange Revenue)

This is a privilege tax levied upon the privilege of construction or development of property. It may be called the adequate facilities tax, development tax, or a privilege tax. This tax may be imposed only by private act. Some private acts provide for one-half of the tax to be paid prior to the time the final plat of the development is recorded in the register of deed's office. The other one-half of the tax is paid when the building permit is issued. Other private acts provide for all the tax to be paid when the building permit is issued.

Assets from imposed nonexchange revenue transactions should be recognized in the period when an enforceable legal claim to the assets arises. Revenues should be recognized in the same period that the assets (receivables) are recognized. In the case of the adequate facilities tax, the legal claim to the assets arises when the plat is recorded and/or the building permit is issued. This is the same time as the tax is paid. Revenues should be recognized net of estimated refunds.

Impact fees may also be posted to this account. These fees are a means by which a local government may regulate new development. The intent of the fee is to place the financial burden of new growth on areas in which the growth has occurred. The level of the fee must be related to the costs resulting from the new development, and revenues generated for the fee should be earmarked for investment in the growth areas. Impact fees may only be imposed by private act. Impact fees are imposed nonexchange revenues.

Account No. 40290, Other County Local Option Taxes

The accounting treatment would depend upon what type revenue was posted to this account.

State statutes provide for an oil and gas severance tax that may have been posted to this account. This is a derived tax of the state that is shared with counties. See the discussion in the first two paragraphs under the next account, Account No. 40320, Bank Excise Tax concerning state shared revenues and continuing appropriations. The state collects the tax monthly but distributes it to the county twice a year, June and December. This means as of June 30, the state owes the county for the June collections which will not be remitted until the following December. The county should recognize a receivable for the June

collections. The receivable should be reported as deferred revenue since the tax goes to the general fund, a governmental fund.

Account No. 40320, Bank Excise Tax (Voluntary Nonexchange Transaction)

This is an example of the state sharing its own derived tax revenues with other governments. The state assesses the tax on the earnings of certain financial institutions. Legislation requires the state to distribute a portion of the tax to local governments. No annual appropriation is required. The cities and counties may use the resources for any governmental program.

The bank excise tax illustrates the characteristics of voluntary nonexchange transactions. (The program is not a mandate on the cities and counties.) However, fulfillment of an eligibility requirement is for a transaction to occur (in addition to the requirement that the recipient be a county): The applicable period should have begun. Because the distribution to counties are continually appropriated by operation of law, the eligibility requirement is met (the applicable period is considered to have already begun) as the bank earns the income.

The state makes one payment a year in March to the counties. Counties should recognize receivables and deferred revenues as the banks earn the income. As of June 30, the county should report a receivable and deferred revenue for whatever time period within the county's fiscal year that the banks have not filed a return for. The revenue should not be reported as deferred if the tax was reported in a proprietary fund but it almost always goes to the general fund. However, the banks file at different times of the year and it is difficult to follow in the state statutes what time period is being filed on. Unless the state is able to estimate the amount due from the banks and the amount due to the counties as of June 30, this is another example of a note disclosure being added to the CAFR to the effect that the transactions are not reasonable estimable.

Account No. 40330, Wholesale Beer Tax (Derived Tax Revenue)

This is tax imposed by the county on the wholesale price of beer. It is collected by the distributor and remitted to the county. It is usually remitted to the county clerk. The distributor is required to remit June collections to the county by the 20th of July. The July payments to the county clerk should be reported as a receivable and revenue as of June 30.

Account No. 40340, Coal Severance Tax (Derived Tax Revenue)

See Account No. 40280, Mineral Severance Tax. The accounting treatment is the same. The state collects and distributes the two taxes in the same manner. The differences in the taxes are the coal severance tax is a general statutory tax while the mineral severance tax

is a local option tax. The mineral tax goes to the county road fund while the coal severance tax is split evenly between education and highways.

Account No. 40350, Interstate Telecommunications Tax (Voluntary Nonexchange Transaction)

This is a derived tax of the state, which is shared with local governments as a voluntary nonexchange transaction through a continuing appropriation. See the discussion in the first two paragraphs under Account No. 40320, Bank Excise Tax concerning state shared revenues and continuing appropriations.

The state collects and distributes this tax in the same manner as the local option sales tax. The accounting treatment is exactly the same as described for the local option sales tax under Account No. 40210, Local Option Sales Tax.

Accounts No. 41110 to 41590, Licenses and Permits

These are exchange and exchange-like transactions.

Accounts No. 42110 to 42910; Fines, Forfeitures, and Penalties (Imposed Nonexchange Revenues)

See the discussion under Account No. 40250 to 40266, Litigation Taxes. The same reporting treatment applies.

Accounts No. 43101 to 443393, General Service Charges and Fees

These are exchange and exchange-like transactions.

Accounts No. 43511 to 43583, Education Charges

These are exchange and exchange-like transactions.

Account No. 43990, Other Charges for Services

This account should be used for exchange and exchange-like transactions.

Accounts No. 44110 to 44180, Recurring Items

These are exchange and exchange-like transactions with the exception of 44170, Miscellaneous Refunds, which should not be a material revenue account. Account No. 44180, Expenditure Credits, should be netted against a revenue account for financial statement presentation.

Accounts No. 44510 to 44560, Nonrecurring Items

These are exchange and exchange-like transactions.

Account No. 44570, Contributions and Gifts (Voluntary Nonexchange Transactions)

The county should recognize receivables and revenues in the period when all applicable eligibility requirements, including time requirements have been met. Resources transmitted to the county in advance before the eligibility requirements are met should be reported as deferred revenues. Receivables recognized in governmental funds before the resources are available should be reported as deferred revenues.

Account No. 44580, Performance Bond Forfeitures (Imposed Nonexchange Revenue)

See the discussion under Account No. 40250 to 40266, Litigation Taxes. The same reporting treatment applies.

Account No. 44990, Other Local Revenues

The accounting treatment would depend on what revenue source was posted to this account.

Accounts No. 45110 to 45620, Excess Fees and Fees in Lieu of Salary

These are exchange and exchange-like transactions.

Accounts No. 46110 to 46810, State of Tennessee (Government Mandated Nonexchange or Voluntary Nonexchange Transactions)

The county should recognize receivables and revenues when all applicable eligibility requirements, including time requirements and reimbursements, are met. Resources transmitted to the county before the eligibility requirements are met should be reported as deferred revenues. Receivables recognized in governmental funds before the resources are available should be reported as deferred revenues.

Many times the state will not specify time requirements. When that is the case, the entire award should be recognized as a receivable and revenue in the period when all applicable eligibility requirements are met (applicable period). The applicable period is the state's fiscal year and begins on the first day of that year (when for example, the relevant appropriation becomes effective). The entire award should be recognized at that time. For practical purposes, the county will probably not recognize any receivables until year-end. For example, the state awards and appropriates a grant as of July 1, 2000. If all applicable eligibility requirements have been met, any amount of the award that had not been received by the county as of June 30, 2001 should be recognized as receivable unless the grant is a "reimbursement-type program." A receivable for any incurred allowable costs

that had not been reimbursed as of June 30 should be recognized for “reimbursement-type programs.” Any amount of the receivable recognized before the resources are available in governmental funds should be reported as deferred revenues.

The same rules apply to the county as a provider to subrecipients. So, until the eligibility requirements are met, the county does not have a liability and the recognition of expenses/expenditures for resources transmitted in advance should be deferred. If the county does not specify time requirements, the applicable period is the county’s fiscal year.

Account No. 46820, Income Tax (Voluntary Nonexchange Transaction)

This is a derived tax of the state, which is shared with local governments as a voluntary nonexchange transaction through a continuing appropriation. See the discussion in the first two paragraphs under Account No. 40320, Bank Excise Tax concerning state shared revenues and continuing appropriations.

Taxpayers are required to pay the tax on or before the 15th day of the 4th month commencing after the end of the taxpayer’s tax year. This means that most of this tax is paid by April 15th for the prior calendar year. The state is required to remit the local share to the counties by July 31. The tax is received after year-end in July and should be recognized as a receivable and revenue as of June 30. Additionally, as of June 30, the taxpayer owes tax on six months income that will not be paid to the state until the next April 15th and to the county the following July. The Department of Revenue should report an estimated amount as receivable for the period January 1 to June 30 and a liability to local governments for their share

Counties should recognize a receivable for the estimated amount. If the Department of Revenue is unable to provide an estimate to the county, 50% of the amount received for the current year should be a reasonable estimate. Since the income tax almost always goes to the general fund, the entire amount of the estimated receivable should be reported as deferred revenue. However, if the tax were to go to a proprietary fund, then the receivable amount should be reported as revenue.

Account No. 46830, Beer Tax (Voluntary Nonexchange Transaction)

This is a derived tax of the state, which is shared with local governments as a voluntary nonexchange transaction through a continuing appropriation. See the discussion in the first two paragraphs under Account No. 40320, Bank Excise Tax concerning state shared revenues and continuing appropriations.

The state collects the tax monthly but distributes it to the county twice a year, October and April. This means as of June 30, the state owes the county for the April, May, and June collections which will not be remitted until the following October. The county should recognize a receivable for the April, May, and June collections. The receivable

should be reported as deferred revenue if the tax goes to a governmental fund. Proprietary funds should report the receivable as revenue.

Account No. 46840, Alcoholic Beverage Tax (Voluntary Nonexchange Transaction)

This is a derived tax of the state, which is shared with local governments as a voluntary nonexchange transaction through a continuing appropriation. See the discussion in the first two paragraphs under Account No. 40320, Bank Excise Tax concerning state shared revenues and continuing appropriations.

The state collects the tax monthly but distributes it to the county four times a year, February, May, August, and November. This means as of June 30, the state owes the county for the May and June collections which will not be remitted until the following August. The county should recognize a receivable for the May and June collections. The receivable should be reported as deferred revenue if the tax goes to a governmental fund using a 30 day availability period. Proprietary funds should report the receivable as revenue.

Account No. 46850, Mixed Drink Tax (Voluntary Nonexchange Transaction)

This is a derived tax of the state, which is shared with local governments as a voluntary nonexchange transaction through a continuing appropriation. See the discussion in the first two paragraphs under Account No. 40320, Bank Excise Tax concerning state shared revenues and continuing appropriations.

The state collects this tax from the merchants monthly and distributes it to the county. Because of the manner in which the state collects and distributes the tax, counties are owed two months of collections as of June 30, which will be distributed in July and August. A receivable should be recognized as of June 30 for both the July and August distribution. Revenue should be recognized in governmental funds for one or both months depending upon whether the county is following a 30 or 60 day period of availability under the modified accrual basis of accounting. If the county is following a 30-day period, then the August distribution should be recorded as deferred revenue. Proprietary funds should record both months as revenue.

Account No. 46851, State Revenue Sharing – T.V.A. (Voluntary Nonexchange Transaction)

The state receives this revenue from T.V.A. and then shares a portion of it with local governments. The state has indicated that it will account for this revenue as a voluntary nonexchange transaction. This means that this is a pass through to the county even though the amount passed through is based on a formula. The county should recognize a receivable and revenue when all eligibility requirements, including time requirements are met. Since the state does not specify time requirements, the entire amount shared with the county should be recognized as a receivable and revenue in the period when all

applicable eligibility requirements are met (applicable period). The applicable period is the state's fiscal year.

The state pays the county on a quarterly basis, October, January, April, and June. If the county receives the June quarterly payment in July, a receivable and revenue should be recognized for the June payment. Otherwise, the entire amount appropriated to the county by the state should be received within the county's fiscal year.

Accounts No. 46860 to 46890, Under Other State Revenues (Government-Mandated Nonexchange Transactions)

These revenues are examples of "reimbursement-type" programs. Receivables should be recognized as of June 30 for any unreimbursed allowable costs provided all other eligibility requirements have been met. These are all reimbursements to the General Fund, which follows the modified accrual basis of accounting. Revenues should be recognized when the resources are available. Resources recognized as receivable before they are available should be reported as deferred revenues.

Account No. 46915, Contracted Prisoner Boarding

These are exchange and exchange-like transactions. The county files a claim with the state monthly. The payment from the state goes to the general fund, a governmental fund that follows the modified accrual basis of accounting. Revenues from exchange transactions should be recognized as earned in governmental funds but are still subject to the county's availability period. Because of the way this program operates, some counties may be owed for several months as of June 30. A receivable should be recognized for the total amount owed by the state as of June 30. Any portion of the receivable that is recognized before the resources are available should be reported as deferred revenue.

Account No. 46920, Gasoline and Motor Fuel Tax; and Account No. 46930, Petroleum Special Tax (Government-Mandated Nonexchange Transactions)

See the discussion under Account No. 46850, Mixed Drink Tax. The accounting treatment is the same for government-mandated and voluntary nonexchange transactions.

Accounts No. 46940 to 46990, Under Other State Revenues (Government Mandated Nonexchange or Voluntary Nonexchange Transactions)

See the discussion under Accounts No. 46110 to 46790, State Revenues.

Accounts No. 46940 to 46990, Federal Through State (Government Mandated Nonexchange or Voluntary Nonexchange Transactions)

See the discussion under Accounts No. 46110 to 46790, State Revenues.

Accounts No. 46940 to 46990, Direct Federal Revenue (Government Mandated Nonexchange or Voluntary Nonexchange Transactions)

See the discussion under Accounts No. 46110 to 46790, State Revenues. The only difference is the applicable period is the federal government's fiscal year rather than the state's fiscal year.

Accounts No. 48110, 48120 and 48140

These are exchange and exchange-like transactions.

Account No. 48130, Contributions and Account No.48610, Donations (Voluntary Nonexchange Transactions)

The county should recognize receivables and revenues in the period when all applicable eligibility requirements, including time requirements have been met. Resources transmitted to the county in advance before the eligibility requirements are met should be reported as deferred revenues. Receivables recognized in governmental funds before the resources are available should be reported as deferred revenues.

Account No. 48990, Other

The accounting treatment depends upon the type revenue posted to this account.